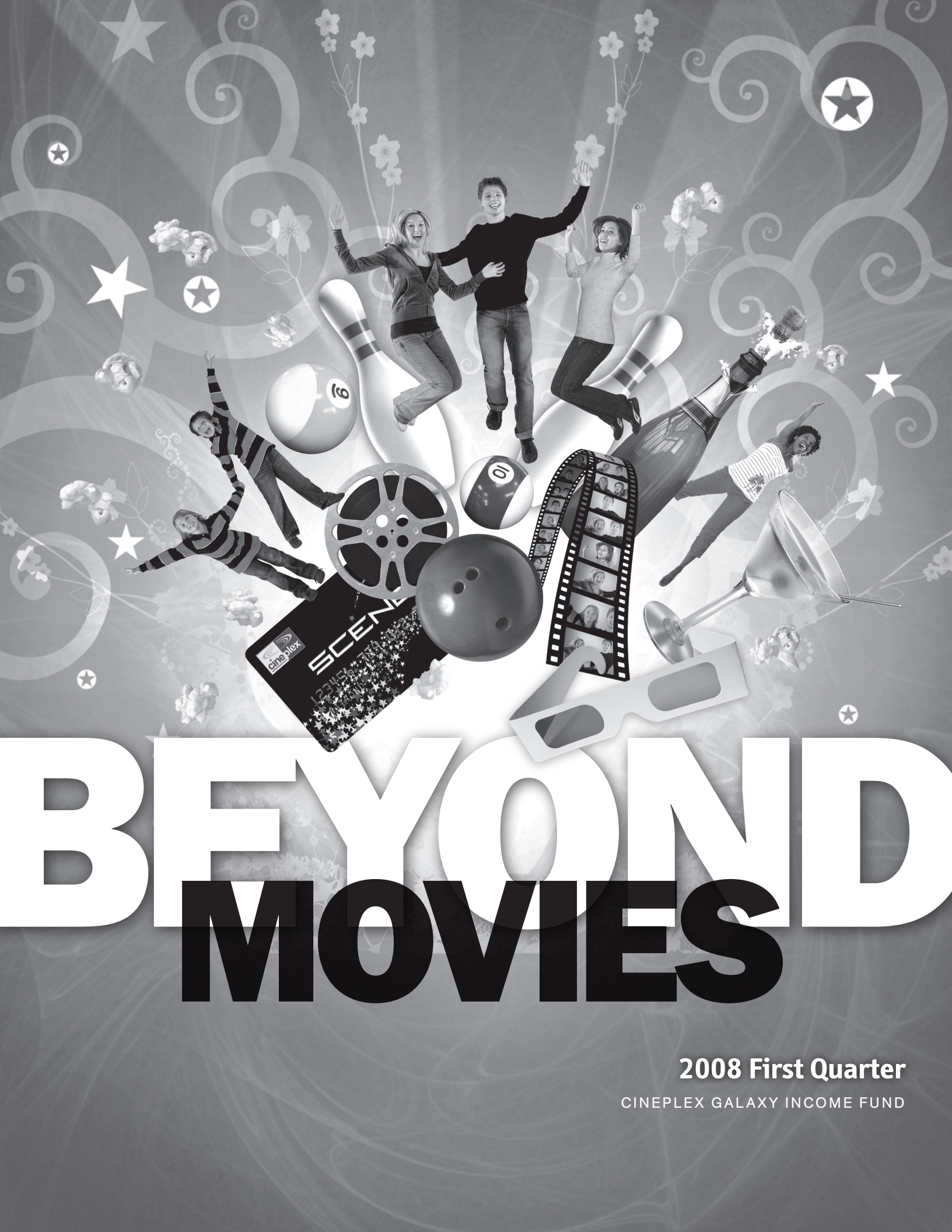

BEYOND MOVIES

2008 First Quarter

CINEPLEX GALAXY INCOME FUND

Cineplex Entertainment LP owns, operates or has an interest in 132 theatres with 1,337 screens. The company operates theatres with the following Top tier brands: Cineplex Odeon, Galaxy, Famous Players (including Colossus, Coliseum, SilverCity), Scotiabank Theatres and Cinema City

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Letter to Unitholders:

We begin the first quarter of 2008 with record setting results. Canadian box office revenues were up approximately 2.6% this quarter versus the same period last year while Cineplex box office revenues were up 3.5% for the same period. We also increased attendance 5.4% compared to the same period last year. First quarter box office results were driven by the continued and unprecedented success of our *Metropolitan Opera Live in High Definition* series in addition to strong film performances by movies such as *Juno, 27 Dresses* and *Jumper* in addition to the 3D movie *Hanna Montana/Miley Cyrus Best of Both Worlds* concert film. Total revenues for this quarter increased 6.3% to $189.8 million compared to $178.6 million reported for 2007.

I am also pleased to report that our *Other Revenue* for the quarter was $16.3 million compared to $13.4 million reported for the same period in 2007 representing a 21.8% increase. This category comprises our *Cineplex Media* group as well as *Games* and *Other Revenues*. Our Cineplex Media group continued to deliver strong results by generating revenue growth of 39.9% versus the first quarter last year.

Our adjusted EBITDA for the quarter was $26.2 million compared to $24.7 million for 2007 and represented an increase of 6.1%. Our Net Loss for the quarter was $0.7 million compared to $3.8 million for the prior year's first quarter. The partnership experienced its highest first quarter distributable cash per unit of $0.3280 for the quarter or an increase 17.4% versus the same period in the prior year. Our declared distribution per unit for this quarter was $0.3000.

As a result of the improvements in operating performance that we have delivered, I am pleased to announce that we will be increasing our annualized distribution amount by $0.06 to $1.26 which represents a 5% increase from our current level of $1.20 per unit.

We installed 31 digital projectors and 25 REAL D 3D systems this quarter. This brings our total number of digital projectors installed to 45 and digital 3D capable theatre auditoriums to 31. These projectors along with the REAL D 3D systems are located in major markets across the country enabling us to capitalize on the success of the 3D films that launched in the first quarter and positions us well for future 3D films launching later this year and in 2009.

During the quarter, our SCENE loyalty program continued to generate consistent membership growth reaching 800,000+ as of May 2, 2008, the first year anniversary of the program, which is substantially ahead of the initial target of 500,000 members. SCENE continues to experience steady and consistent growth and we believe we are well on our way to hitting the one million member mark in early summer.

We were presented with the opportunity to assume construction and complete a new 10-screen theatre in Red Deer, Alberta this quarter. This was a unique opportunity that was presented to us in February and we completed the project and opened – *Galaxy Cinemas Red Deer* – on March 21st. Two other theatre projects were announced during the period and include a *SilverCity* theatre to be located at Fairview Mall in Toronto and a *Cineplex Odeon* theatre for Westmount Shopping Centre in London, Ontario. Previously announced new theatres that will open later this year are located in Hamilton and Brantford, Ontario.

On behalf of the Board of Directors,

Ellis Jacob
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of March 31, 2008, Cineplex Galaxy Income Fund indirectly owned approximately 76% of Cineplex Entertainment Limited Partnership. The following management's discussion and analysis ("MD&A") of the Cineplex Entertainment Limited Partnership financial condition and results of operations should be read together with the consolidated financial statements and related notes of Cineplex Galaxy Income Fund (see "Overview" below). These financial statements, presented in Canadian dollars, were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our Annual Information Form ("AIF") and in this MD&A. Those risks and uncertainties include adverse factors generally encountered in the film exhibition industry such as poor film product and unauthorized copying; the risks associated with national and world events, including war, terrorism, international conflicts, natural disasters, extreme weather conditions, infectious diseases, changes in income tax legislation; and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of Cineplex Galaxy Income Fund or Cineplex Entertainment Limited Partnership, their financial or operating results or their securities. Additional information, including Cineplex Galaxy Income Fund's AIF, can be found on SEDAR at www.sedar.com.

OVERVIEW

Cineplex Entertainment Limited Partnership (the "Partnership") was formed on November 26, 2003 to acquire substantially all of the business assets of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI"). The Partnership's investors include Cineplex Galaxy Trust (the "Trust"), Cineplex Entertainment Corporation (the "General Partner"), COC (indirectly through CELP 2007 Limited Partnership ("CELP 2007 LP")), Cineplex Odeon (Quebec) Inc. and certain former investors in GEI. The Trust is wholly owned by Cineplex Galaxy Income Fund (the "Fund"). On July 22, 2005 the Partnership acquired the movie exhibition business of Famous Players Limited Partnership ("Famous Players"), becoming Canada's largest film exhibition operator with theatres in six provinces. The Partnership's theatre circuit is concentrated in major metropolitan and mid-sized markets, with principal geographic areas being Toronto, Montreal, Vancouver, Calgary, Edmonton, Ottawa and Quebec City. As of March 31, 2008, the Partnership owned, leased or had a joint-venture interest in 1,337 screens in 132 theatres, including 37 screens in four theatres held in joint ventures.

Under the provisions of an exchange agreement entered into at the time of the Fund's initial public offering (as amended or restated from time to time, the "Exchange Agreement") designed to facilitate the exchange of units of the Partnership ("LP Units") into units of the Fund ("Fund Units"), the Fund issued 174,502 Fund Units during the three months ended March 31, 2008 in exchange for notes and units from the Trust. The Trust acquired 174,502 LP Units in the exchange. As a result, the Fund indirectly increased its ownership in the Partnership to 76% excluding the Class C LP Units.

On April 2, 2007, under provisions of the Exchange Agreement, certain minority investing partners of Onex Corporation ("Onex") exchanged 9,122,751 Class B, Series 1 and Series 2-C LP Units for 9,122,751 Fund Units. Prior to the April 2, 2007 exchange, the Fund accounted for the Partnership under the equity method. As a result of that transaction, the Fund acquired control of the Partnership and has consolidated the

Partnership since April 2, 2007. Accordingly, the results of operations of the business acquired are included in the consolidated financial statements effective with the acquisition of control.

The Fund's only source of income arises from its investment in the Partnership. As the Fund commenced consolidating the results of the Partnership during the second quarter of 2007, the Fund's financial statements do not contain historic comparative results for the Partnership on a line-by-line basis. To provide meaningful commentary on the results of operations, the following discussion focuses on the financial statements of the Partnership which includes line-by-line comparative information.

REVENUE AND EXPENSES

Revenues

The Partnership generates revenues primarily from box office and concession sales. These revenues are affected primarily by attendance levels and by changes in the average box office revenue per patron and average concession revenue per patron. The commercial appeal of the films released during the period and the success of marketing as well as promotion for those films by film studios and distributors drives attendance. Average box office revenue per patron is affected by the mix of film genres that appeal to certain audiences, such as children, teens or young adults, and ticket prices. Average concession revenue per patron is affected by concession product mix, concession prices and type of film. In addition, the Partnership generates other revenues from in-theatre advertising sales through its Cineplex Media business, promotional activities, website advertising sales, game rooms, screenings, private parties, corporate events and theatre management fees.

Expenses

Film cost represents the film rental fees paid on films exhibited in the Partnership's theatres. Film costs are calculated as a percentage of box office revenue and vary directly with changes in box office revenue. Film costs are accrued on the related box office receipts at either mutually agreed-upon terms established prior to the opening of the film, or on a mutually agreed settlement upon conclusion of the film's run, depending upon the film licensing arrangement.

Cost of concessions represents the costs of concession items sold and varies directly with changes in concession revenue.

Occupancy costs include lease related expenses, property and business related taxes and insurance. Lease expenses are primarily a fixed cost at the theatre level because the Partnership's theatre leases generally require a fixed monthly minimum rent payment. However, a number of the Partnership's theatre leases also include a percentage rent clause whereby the landlord is paid an additional amount of rent based primarily upon box office revenues over a specified threshold.

Other operating expenses consist of fixed and variable expenses, including marketing and advertising, media, loyalty, interactive, theatre salaries and wages, utilities and maintenance. Although theatre salaries and wages include a fixed cost component, these expenses vary in relation to revenues as theatre staffing levels are adjusted to handle fluctuations in attendance.

General and administrative expenses are primarily costs associated with managing the Partnership's business, including film buying, marketing and promotions, operations and concession management, accounting and financial reporting, legal, treasury, construction and design, real estate development and administration and information systems. The Partnership's general and administrative costs primarily consist of payroll, occupancy costs related to its corporate offices in Toronto, Ontario, professional fees (such as public accountant and legal fees) and travel and related costs. The Partnership's management maintains

general and administrative staffing and associated costs at a level that it deems appropriate to manage and support the size and nature of its theatre portfolio and its business activities.

Accounting for joint ventures

The financial statements incorporate the operating results of joint ventures in which the Partnership has an interest using the proportionate consolidation method as required by GAAP.

DISCLOSURE CONTROLS AND PROCEDURES

Management of the Fund is responsible for establishing and maintaining disclosure controls and procedures for the Fund as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Fund, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities, particularly during the period in which the annual filings are being prepared.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Fund is responsible for designing internal controls over financial reporting for the Fund as defined under Multilateral Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP.

There has been no change in the Fund's internal controls over financial reporting that occurred during the most recently completed interim period that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

CONSOLIDATED FINANCIAL STATEMENTS OF THE PARTNERSHIP

The following Consolidated Balance Sheets for the Partnership as at March 31, 2008 and December 31, 2007, Consolidated Statements of Operations, Consolidated Statements of Partners' Equity and Comprehensive Loss and Consolidated Statements of Cash Flows for the Partnership for the three months ended March 31, 2008 and 2007 are presented to provide comparable results to prior periods.

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED BALANCE SHEETS
(expressed in thousands of Canadian dollars)

	March 31, 2008 (unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 20,724	$ 42,906
Accounts receivable	26,868	45,322
Inventories	3,091	3,026
Prepaid expenses and other current assets	7,634	4,584
Due from related parties	6	6
	58,323	95,844
Property, equipment and leaseholds	413,008	420,884
Fair value of interest rate swap agreements	-	1,523
Future income taxes	6,234	5,825
Deferred charges	1,052	1,085
Intangible assets	51,422	52,815
Goodwill	200,018	200,037
	$ 730,057	$ 778,013
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 62,535	$ 80,779
Distributions payable	4,548	4,548
Due to related parties	1,589	-
Income taxes payable	51	65
Deferred revenue	51,405	64,610
Capital lease obligations - current portion	1,610	1,581
	121,738	151,583
Long-term debt	232,412	232,265
Fair value of interest rate swap agreements	1,685	-
Capital lease obligations - long term portion	34,418	34,831
Due to Cineplex Galaxy Trust	100,000	100,000
Accrued pension benefit liability	1,230	1,109
Other liabilities	149,117	150,162
Class C Limited Partnership Units - liability component	102,892	102,231
	743,492	772,181
Partners' (Deficiency) Equity	(13,435)	5,832
	$ 730,057	$ 778,013

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007
Revenue		
Box office	$ 116,823	$ 112,887
Concessions	56,721	52,324
Other	16,297	13,385
	189,841	178,596
Expenses		
Film cost	58,932	56,877
Cost of concessions	11,653	10,423
Occupancy	38,323	36,632
Other operating	45,252	41,654
General and administrative	9,513	8,355
	163,673	153,941
Income before undernoted	26,168	24,655
Amortization	16,874	16,274
Loss on disposal of theatre assets	311	1,867
Interest on long-term debt and capital lease obligations	6,840	7,506
Interest on loan from Cineplex Galaxy Trust	3,500	3,500
Interest income	(286)	(252)
Loss before income taxes	(1,071)	(4,240)
Provision for (recovery of) income taxes		
Current	(5)	6
Future	(408)	(471)
	(413)	(465)
Net loss	$ (658)	$ (3,775)

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY AND COMPREHENSIVE LOSS
(unaudited)
(expressed in thousands of Canadian dollars)

For the three months ended March 31, 2008

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive income (loss)	Partners' capital	Formation of Partnership deficit	Total Partners' deficiency	Comprehensive loss
Balance - December 31, 2007	$ 84,338	$ (194,026)	**$ (109,688)**	$ 974	$ 262,341	$ (147,795)	**$ 5,832**	**$ -**
Distributions declared	-	(13,645)	**(13,645)**	-	-	-	**(13,645)**	-
Investment in Cineplex Galaxy Income Fund units	-	-	-	-	(3,691)	-	**(3,691)**	-
LTIP compensation obligation	-	-	-	-	1,427	-	**1,427**	-
Net loss	(658)	-	**(658)**	-	-	-	**(658)**	**(658)**
Other comprehensive loss - interest rate swap agreements	-	-	-	(2,700)	-	-	**(2,700)**	**(2,700)**
Comprehensive loss for the period								**$ (3,358)**
Balance - March 31, 2008	$ 83,680	$ (207,671)	**$ (123,991)**	$ (1,726)	$ 260,077	$ (147,795)	**$(13,435)**	

The sum of accumulated distributions in excess of accumulated income and accumulated other comprehensive loss as at March 31, 2008 is $125,717.

For the three months ended March 31, 2007

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive income	Partners' capital	Formation of Partnership deficit	Total Partners' equity	Comprehensive loss
Balance – January 1, 2007	$ 57,867	$ (140,405)	**$ (82,538)**	$ 2,427	$ 262,774	$ (147,795)	**$ 34,868**	**$ -**
Distributions declared	-	(12,925)	**(12,925)**	-	-	-	**(12,925)**	-
Investment in Cineplex Galaxy Income Fund units	-	-	-	-	(1,677)	-	**(1,677)**	-
LTIP compensation obligation	-	-	-	-	731	-	**731**	-
Net loss	(3,775)	-	**(3,775)**	-	-	-	**(3,775)**	**(3,775)**
Other comprehensive income – interest rate swaps	-	-	-	370	-	-	**370**	**370**
Comprehensive loss for the period								$ **(3,405)**
Balance – March 31, 2007	$ 54,092	$ (153,330)	**$ (99,238)**	$ 2,797	$ 261,828	$ (147,795)	**$ 17,592**	

The sum of accumulated distributions in excess of accumulated income and accumulated other comprehensive loss as at March 31, 2007 is $96,441.

CINEPLEX ENTERTAINMENT LIMITED PARTNERSHIP
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007
Cash provided by (used in)		
Operating activities		
Net loss	$ (658)	$ (3,775)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Amortization of property, equipment and leaseholds, deferred charges and intangible assets	16,874	16,274
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	(754)	(447)
Amortization of debt issuance costs	147	186
Loss on disposal of theatre assets	311	1,867
Future income taxes	(408)	(471)
Cash flow hedges – non-cash interest	508	249
Tenant inducements	1,818	617
Changes in operating assets and liabilities	(12,558)	(28,591)
	5,280	(14,091)
Investing activities		
Proceeds from sale of theatre assets	1,658	2,475
Purchases of property, equipment and leaseholds	(7,817)	(4,928)
Theatre shutdown payment	-	(1,445)
Lease guarantee payment and acquisition of theatre assets	-	(4,500)
Acquisition of Famous branded magazines	(387)	(406)
	(6,546)	(8,804)
Financing activities		
Distributions paid	(13,645)	(12,925)
Borrowings under credit facility	-	21,000
Repayment of credit facility	-	(11,000)
Payments under capital leases	(384)	(357)
Investment in Cineplex Galaxy Income Fund units	(6,887)	(2,702)
	(20,916)	(5,984)
Decrease in cash and cash equivalents during the period	(22,182)	(28,879)
Cash and cash equivalents - Beginning of period	42,906	56,383
Cash and cash equivalents - End of period	$ 20,724	$ 27,504
Supplemental information		
Cash paid for interest	$ 6,925	$ 8,377
Cash paid for income taxes – net	$ -	$ 6

RECONCILIATION OF PARTNERSHIP TO FUND NET LOSS

Certain line items presented in the Fund's consolidated financial statements differ from those presented for the Partnership. These differences are the result of the Fund's acquisition of control of the Partnership on April 2, 2007 and the accounting for the acquisition using the purchase method in the Fund's consolidated financial statements. This has resulted in a valuation basis for certain financial statement items in the Fund's consolidated financial statements (including the related amortizations) which are different than the historic costs contained in the Partnership financial statements. See note 2 of the Fund's consolidated financial statements for the year ended December 31, 2007 and the table below.

The following table illustrates the consolidation adjustments that result in the differences between the statement of operations of the Partnership compared to the statement of operations for the Fund for the three months ended March 31, 2008:

	Partnership three months ended March 31, 2008 (unaudited)	Consolidation adjustments		Fund three months ended March 31, 2008 (unaudited)
Revenue				
Box office	$ 116,823	$ -		$ 116,823
Concessions	56,721	-		56,721
Other	16,297	-		16,297
	189,841	-		189,841
Expenses				
Film cost	58,932	-		58,932
Cost of concessions	11,653	-		11,653
Occupancy	38,323	1,024	(i)	39,347
Other operating	45,252	-		45,252
General and administrative	9,513	54	(i)	9,567
	163,673	1,078		164,751
Income before undernoted	26,168	(1,078)		25,090
Amortization	16,874	4,228	(i)	21,102
Loss on disposal of theatre assets	311	-		311
Interest and accretion on convertible debentures	-	1,840	(ii)	1,840
Interest on long-term debt and capital lease obligations	6,840	(2,251)	(iii)	4,589
Interest on loan from Cineplex Galaxy Trust	3,500	(3,500)	(iii)	-
Interest income	(286)	(11)	(iv)	(297)
Loss before income taxes and non-controlling interests	(1,071)	(1,384)		(2,455)
Provision for (recovery of) income taxes				
Current	(5)	-		(5)
Future	(408)	2,431	(v)	2,023
	(413)	2,431		2,018
Loss before non-controlling interests	(658)	(3,815)		(4,473)
Non-controlling interests	-	(2,218)	(vi)	(2,218)
Net loss	$ (658)	$ (1,597)		$ (2,255)

(i) Amounts relate to step acquisition valuation differences.
(ii) Fund's interest and accretion on its Convertible Debentures
(iii) Consolidation adjustments to eliminate transactions between the Fund and the Partnership.
(iv) Interest income earned at the Fund level.
(v) Fund's future income tax expense.
(vi) Represents the non-controlling interests of the Partnership arising from the consolidation of the Fund and the Partnership.

SELECTED FINANCIAL DATA

The following table presents selected financial data for the Partnership for the three months ended March 31, 2008 and March 31, 2007 (expressed in thousands of Canadian dollars except per LP Unit, per patron and attendance data).

	For the three months ended March 31,	
	2008	**2007**
Total revenue	$189,841	$178,596
Cost of operations	163,673	153,941
Income before undernoted	26,168	24,655
Amortization	16,874	16,274
Loss on disposal of theatre assets	311	1,867
Interest on long-term debt	6,840	7,506
Interest on loan from the Trust	3,500	3,500
Interest income	(286)	(252)
Income tax recovery	(413)	(465)
Net loss	$(658)	$(3,775)
Net loss per LP Unit (i)	$(0.012)	$(0.066)
Total assets	730,057	759,486
Total long term financial liabilities (ii)	335,000	353,000
Cash distributions declared per LP Unit	$0.3000	$0.2874
Distributable cash per LP Unit	$0.3280	$0.2794
Box office revenue per patron	$7.98	$8.13
Concession revenue per patron	$3.87	$3.77
Film cost as a percentage of box office revenue	50.4%	50.4%
Attendance (in thousands of patrons)	14,645	13,893

(i) Computed using weighted average number of LP Units outstanding for the period (excluding unconverted Class C LP Units).
(ii) Comprised of long-term debt and amount due to Cineplex Galaxy Trust. Excludes the Class C LP Units – liability component, capital lease obligations, accrued pension benefit liability, other liabilities and deferred financing fees net against long-term debt.

The following table presents summarized financial data for the Fund for the three months ended March 31, 2008 and March 31, 2007 (expressed in thousands of Canadian dollars except Fund Units outstanding and per Fund Unit data).

	Three months ended March 31,	
	2008	**2007**
Net loss	$ (2,255)	$ (952)
Basic net loss per Fund Unit	$ (0.05)	$ (0.03)
Diluted net loss per Fund Unit (i)	$ (0.08)	$ (0.04)
Total assets	$ 1,249,540	$ 475,876
Total long term financial liabilities (ii)	$ 334,005	$ 97,900
Fund Units outstanding at March 31	43,414,217	34,116,698
Cash distributions declared per Fund Unit	$ 0.3000	$ 0.2874

(i) Excludes the conversion of the Convertible Debentures, as such conversion would be anti-dilutive.
(ii) Comprised of long-term debt and the Fund's Convertible Debentures. Excludes capital lease obligations, accrued pension benefit liability, other liabilities and deferred financing fees net against long-term debt.

DISTRIBUTABLE CASH

Management presents standardized distributable cash and distributable cash per unit because they are key measures used by investors to value and assess the Fund and the Partnership. Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts and other flow-through entities as an indicator of financial performance, and it should not be viewed as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Standardized distributable cash is a non-GAAP measure recommended by the Canadian Institute of Chartered Accountants ("CICA") in its July 2007 interpretive release, *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities*, and is designed to enhance comparability.

Standardized distributable cash is defined by the CICA as cash from operating activities as reported in the GAAP financial statements, less total capital expenditures and any restrictions on distributions arising from compliance with financial covenants and limitations arising from the existence of a minority interest of a subsidiary. Management defines distributable cash as standardized distributable cash adjusted for certain items, and considers distributable cash the amount available for distribution to unitholders. Standardized distributable cash and distributable cash are not recognized measures under GAAP, and therefore have no standardized meaning prescribed by GAAP and may not be comparable to similar terms and measures presented by similar issuers.

Management calculates distributable cash per LP Unit for the Partnership as follows (expressed in thousands of dollars except LP Units outstanding and per unit data):

	For the three months ended March 31, 2008	2007
Cash provided by (used in) operating activities	$5,280	($14,091)
Less: Total capital expenditures	(7,817)	(4,928)
Standardized distributable cash	(2,537)	(19,019)
Less:		
Changes in operating assets and liabilities (i)	12,558	28,591
Tenant inducements (ii)	(1,818)	(617)
Principal component of capital lease obligations	(384)	(357)
Add:		
New build capital expenditures and other (iii)	6,983	3,433
Interest on loan from Cineplex Galaxy Trust (iv)	3,500	3,500
Non-cash components in operating assets and liabilities (v)	445	421
Expenses funded through integration and restructuring reserve (vi)	-	16
Distributable cash	$18,747	$15,968
Number of LP Units outstanding (vii)	57,150,687	57,150,421
Distributable cash per LP Unit	$ 0.3280	$ 0.2794

(i) Changes in operating assets and liabilities are not considered a source or use of distributable cash.
(ii) Tenant inducements received are for the purpose of funding new theatre capital expenditures and are not considered a source of distributable cash.
(iii) New build capital expenditures and other represent expenditures on Board approved projects, and exclude maintenance capital expenditures. The Partnership's Revolving Facility (discussed below under "Liquidity and Capital Resources – Credit Facilities") is available for use to fund Board approved projects. Certain integration related capital expenditures are funded out of reserve funds established on November 26, 2003 and July 22, 2005.
(iv) Subject to "Catch-up Payment" provision and is considered part of distributable cash (see discussion under "Liquidity and Capital Resources – Distributions").
(v) Certain non-cash components of other assets and liabilities are indirectly excluded from distributable cash to the extent they reflect permanent, not timing differences. Such items include the accretion of the liability component of the Class C LP Units and amortization of deferred gains on sale-leaseback transactions.
(vi) Amounts financed by the $25.0 million reserve set up upon completion of the acquisition of Famous Players are not considered a use of distributable cash.
(vii) Excluding unconverted Class C LP Units.

For the three months ended March 31, 2008, standardized distributable cash was a deficit of $2.5 million, compared to a deficit of $19.0 million for the same period in 2007. The increase reflects higher cash flow from operations as discussed in the "Liquidity and Capital Resources" section, offset by higher total capital expenditures in the first quarter of 2008 as compared to the first quarter of 2007. Total capital expenditures increased $2.9 million from the same period in 2007, reflecting the increased investment in new build theatres ($3.6 million) offset by lower maintenance capital expenditures ($0.7 million).

Distributable cash increased $2.7 million to $18.7 million during the three months ended March 31, 2008, from $16.0 million for the same period in 2007. This increase was primarily due to an increase in cash provided by operating activities of $19.4 million, offset by a decrease of $16.0 million in changes in operating assets and liabilities, which are not considered a source of distributable cash.

Alternatively, the calculation of distributable cash using the income statement as a reference point would be as follows (expressed in thousands of Canadian dollars):

	For the three months ended March 31,	
	2008	2007
Income before undernoted	$ 26,168	$ 24,655
Adjust for:		
Interest on long-term debt and capital lease obligations	(6,840)	(7,506)
Interest income	286	252
Recovery of (provision for) income taxes - current portion	5	(6)
Maintenance capital expenditures	(834)	(1,495)
Principal component of capital lease obligations	(384)	(357)
Expenses funded through integration and restructuring reserve	-	16
Non-cash items:		
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract assets	(754)	(447)
Amortization of debt issuance costs	147	186
Other non-cash items (i)	953	670
Distributable cash	$ 18,747	$ 15,968

(i) Includes accretion on Class C LP Units, amortization of deferred gains on sale-leaseback transactions and non-cash movement in the fair value of the interest rate swap agreements.

Three months ended March 31, 2008 compared to the three months ended March 31, 2007 for the Partnership

Total revenues. Total revenues for the three months ended March 31, 2008 increased $11.2 million to $189.8 million. A discussion of the factors affecting the changes in box office, concession and other revenues for the period compared to the same period in 2007 is provided below.

Box office revenues. Box office revenues for the three months ended March 31, 2008 increased $3.9 million, or 3.5%, to $116.8 million. Canadian industry box office was up approximately 2.6% (source: Motion Picture Theatre Associations of Canada) for the first quarter of 2008 due to stronger January and February film product in 2008 versus 2007, including such strong performing releases as *Juno, 27 Dresses* and *Jumper*, offset by film product in March of 2008 not matching the strong performance of *300* from March of 2007. Box office revenues are primarily dependent on paid attendance to the Partnership's theatres, which was 14.6 million patrons in the first quarter of 2008, an increase of 5.4% over the first quarter of 2007. The average box office revenue per patron of the Partnership decreased $0.15 from $8.13 in the first quarter of 2007 to $7.98 in 2008. The acquisition of the three Cinema City branded locations, which employ a discounted ticket price strategy, reduced the Partnership's average box office revenue per patron for the first quarter of 2008. Excluding the three Cinema City locations purchased in July 2007, the average box office per patron of the Partnership was $8.09. The increase in box office revenues was due to increased same store attendance levels ($2.5 million), an increase due to new and acquired theatres ($2.4 million), offset by lower average ticket prices at same-store locations ($0.7 million) and the impact of disposed theatres ($0.3 million). Further impacting the box office per patron was the introduction of the "Big Ticket Tuesday" program in some locations during the second quarter of 2007, the Partnership's discounted admission and concession offering available in certain markets, as well as the offering of reward admissions under the SCENE loyalty program.

Concession revenues. Concession revenues for the three months ended March 31, 2008 increased $4.4 million, or 8.4%, to $56.7 million. The increase was due to increased same store attendance levels ($1.2 million), additional revenues from the operation of new and acquired theatres ($1.9 million) and increased average concession revenues per patron ($1.5 million), offset by the impact of disposed theatres ($0.2 million). The average concession revenue per patron of the Partnership increased from $3.77 in the first quarter of 2007 to $3.87 in 2008. This increase was driven by the strong performance of *Dr. Seuss' Horton Hears a Who!* during the first quarter of 2008, which catered to family audiences who tend to be strong concession purchasers, partially offset by the strength of the Metropolitan Opera concert series and films that attract mature audiences such as *Juno*, who tend to make less concession purchases. Concession revenue per patron has been impacted by the introduction of the "Big Ticket Tuesday" program in the second quarter of 2007, the Partnership's discounted admission and concession offering available in certain markets, as well as the 10% discount offered to members of the SCENE loyalty program. Excluding the three Cinema City locations, and the impact of the SCENE loyalty program, the average concession revenue per patron was $3.93. Management believes concession revenue has increased due to the higher attendance associated with the introduction of the "Big Ticket Tuesday" program as well as the 10% discount offered to members of the SCENE loyalty program which drives increased sales incidence among SCENE members.

Other revenues. Other revenues for the three months ended March 31, 2008 increased $2.9 million over the same period in 2007, or 21.8%, to $16.3 million. Media revenue includes in-theatre advertising, print magazines, website advertising and theatre naming rights. Games revenue arises from games available at theatre locations. Other revenue includes theatre rental income, management fee income and breakage on unredeemed gift certificates and corporate coupons as well as other miscellaneous revenues. The components of other revenue are as follows (expressed in millions of Canadian dollars):

	Three months ended March 31, 2008	Three months ended March 31, 2007	% Change
Media	$ 10.4	$ 7.4	40%
Games	1.4	1.4	0%
Other	4.5	4.6	(2)%
	$ 16.3	$ 13.4	22%

Media revenue increased 40% in the first quarter of 2008 over the same period in the prior year primarily as a result of higher digital pre-show and full-motion advertising revenues, the sale of theatre naming rights for five flagship theatres across Canada which was announced during the first quarter of 2007 and increased sales of advertising on the cineplex.com website. In April 2008, the Fund signed an agreement with Landmark Cinemas to add the representation of in-theatre advertising in Landmark's 38 theatres in Western Canada.

The SCENE loyalty program was implemented during 2007 to drive incremental attendance and concession purchase incidence. Benefits of the program are reflected in box office and concession revenue respectively. Membership in the SCENE loyalty program as at March 31, 2008 was approximately 760,000 people, an increase of approximately 142,000 people during the quarter.

Film cost. Film cost for the three months ended March 31, 2008 increased $2.1 million to $58.9 million. Film cost varies primarily with box office revenue. As a percentage of box office revenue, film cost was 50.4% for both the three months ended March 31, 2008 and March 31, 2007.

Cost of concessions. Cost of concessions for the three months ended March 31, 2008 increased $1.2 million to $11.7 million. Cost of concessions varies primarily with theatre attendance as well as the quantity and mix of concession offerings sold. The increase in cost of concessions was due to increased same-store concession sales ($0.2 million), additional costs from the operation of new and acquired theatres ($0.4 million) and increased same-store purchase incidence ($0.6 million). As a percentage of concession revenues, cost of concessions increased from 19.9% for the three months ended March 31, 2007, to 20.5% for the three months ended March 31, 2008. The 10% discount offered to members of the SCENE loyalty program accounted for a 0.2% increase in the cost of concessions during the first quarter of 2008.

Occupancy expense. Occupancy expense for the three months ended March 31, 2008 increased $1.7 million to $38.3 million. The increase was primarily due to incremental costs associated with new and acquired theatres ($1.0 million), lower one-time benefits related to the settlement of lease related amounts during the three months ended March 31, 2008 as compared to 2007 ($0.6 million) and increased rents and real estate taxes ($0.6 million), offset by the impact of disposed theatres ($0.5 million).

Other operating expenses. Other operating expenses for the three months ended March 31, 2008 increased $3.6 million to $45.2 million. The increase in other operating expenses was due to the incremental impact of costs associated with new and acquired theatres ($1.2 million), operating costs associated with the SCENE loyalty program and development costs of the Partnership's interactive business ($1.1 million) and increased operating costs ($1.6 million) due to variable costs and inflationary increases and increased business volumes, partially offset by the impact of disposed theatres ($0.3 million). The operating costs related to the SCENE loyalty program and the development costs of the Partnership's interactive business were $2.3 million in the first quarter of 2008 as compared to $1.2 million in the first quarter of 2007.

General and administrative costs. General and administrative costs increased $1.2 million to $9.5 million for the three months ended March 31, 2008, primarily as a result of increased costs under the Partnership's Long Term Incentive Plan ("LTIP") ($0.8 million) and increased direct costs ($0.4 million).

Income before undernoted. The Partnership reported income before undernoted for the three months ended March 31, 2008 of $26.2 million as compared to income before undernoted of $24.7 million for the three months ended March 31, 2007. This change was due to the aggregate effect of the factors described above.

Amortization. For the three months ended March 31, 2008 amortization costs increased $0.6 million to $16.9 million, primarily due to the effect of new and acquired theatres, net of the impact of disposed theatres.

Loss on disposal of theatre assets. The loss on disposal of theatre assets represents the loss on theatre assets that were sold or otherwise disposed of. For the three months ended March 31, 2008, the Partnership recorded a loss of $0.3 million as compared to a loss of $1.9 million for the three months ended March 31, 2007. The loss primarily relates to the disposition of theatre equipment.

Interest on long-term debt and capital lease obligations. Interest on long-term debt for the three months ended March 31, 2008 decreased to $6.8 million from $7.5 million for the same period in 2007. The decrease primarily reflects lower long term debt interest due to lower debt levels and lower negotiated rates. Interest expense is comprised of the following (expressed in millions of Canadian dollars):

Interest Expense	**Three months ended March 31, 2008**	**Three months ended March 31, 2007**
Long term debt interest expense	$ 3.3	$ 4.2
Class C LP Units interest expense	1.6	1.6
Class C LP Units accretion expense	0.6	0.6
Capital lease interest expense	0.7	0.7
Deferred financing fee amortization	0.1	0.2
Interest rate swap - non-cash portion recognized in the period	0.5	0.2
	$ 6.8	$ 7.5

Interest on loan from Cineplex Galaxy Trust. Interest on the loan from the Trust represents interest at a rate of 14% on the $100.0 million loan from the Trust. For the three months ended March 31, 2008 and 2007, interest on the loan from Cineplex Galaxy Trust was $3.5 million.

Interest income. Interest income was $0.3 million for both the three months ended March 31, 2008 and March 31, 2007.

Income taxes. For the three months ended March 31, 2008, the Partnership recognized a current tax recovery of $5 thousand for activities of its joint ventures as compared to a current income tax expense of $6 thousand for the three months ended March 31, 2007. A subsidiary of the Partnership recorded a future income tax recovery of $0.4 million for the three months ended March 31, 2008 (2007 - $0.5 million).

Net loss. Net loss for the three months ended March 31, 2008 decreased from a loss of $3.8 million for the three months ended March 31, 2007 to $0.7 million, due to the net effect of all the other factors described above.

EBITDA

Management defines EBITDA as earnings before interest income and expense, income taxes and amortization expense. Adjusted EBITDA excludes the loss on disposal of theatre assets. The Partnership's management uses adjusted EBITDA to evaluate performance primarily because of the significant effect certain unusual or non-recurring charges and other items have on EBITDA from period to period. EBITDA adjusted for various unusual items is also used to define certain financial covenants in the Partnership's credit facilities.

EBITDA and adjusted EBITDA are non-GAAP measures generally used as an indicator of financial performance and they should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Partnership's EBITDA and adjusted EBITDA may differ from similar calculations as reported by other entities and accordingly may not be comparable to EBITDA or adjusted EBITDA as reported by other entities.

The following represents management's calculation of EBITDA and adjusted EBITDA (expressed in thousands of Canadian dollars):

	Three months ended March 31,	
	2008	2007
Net loss	$(658)	$(3,775)
Amortization	16,874	16,274
Interest on long-term debt and capital lease obligations	6,840	7,506
Interest on loan from Cineplex Galaxy Trust	3,500	3,500
Interest income	(286)	(252)
Income tax recovery	(413)	(465)
EBITDA	25,857	22,788
Loss on disposal of theatre assets	311	1,867
Adjusted EBITDA	$26,168	$24,655

SEASONALITY AND QUARTERLY RESULTS

Historically, the Partnership's revenues have been seasonal, coinciding with the timing of major film releases by the major distributors. The most marketable motion pictures are generally released during the summer and the late-November through December holiday season. This may cause changes, from quarter to quarter in attendance levels, theatre staffing levels and reported results. To meet working capital requirements during the traditionally lower-revenue quarters, the Partnership has available for its use the Revolving Facility (see "Liquidity and Capital Resources – Credit Facilities" discussed below). As of March 31, 2008, there were no amounts drawn on the Revolving Facility.

Summary of Quarterly Results (expressed in thousands of Canadian dollars except per unit, per patron and attendance data):

	2008	2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	$189,841	$182,626	$243,856	$199,941	$178,596	$194,964	$198,976	$183,642
Cost of operations	163,673	156,796	192,223	164,897	153,941	158,539	163,273	156,430
Income from operations	26,168	25,830	51,633	35,044	24,655	36,425	35,703	27,212
Amortization	16,874	18,061	16,398	16,478	16,274	17,081	16,340	15,834
Loss (gain) on disposal of theatre assets	311	521	149	1,002	1,867	3,623	344	(4,003)
Interest on long-term debt and capital lease obligations	6,840	6,371	6,648	6,604	7,506	7,912	8,002	8,026
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Interest income	(286)	(131)	(363)	(223)	(252)	(248)	(237)	(156)
Income taxes	(413)	281	546	(20)	(465)	(112)	(1,450)	243
Income (loss) from discontinued operations	-	-	-	-	-	-	108	(1,223)
Non-controlling interest	-	-	-	(561)	-	106	10	(352)
Net (loss) income	$(658)	$(2,773)	$ 24,755	$ 8,264	$ (3,775)	$ 4,563	$ 9,302	$ 2,897
Net (loss) income per LP Unit (i)	$(0.012)	$(0.049)	$0.433	$0.145	($0.066)	$0.080	$0.163	$0.052
Cash provided by (used in) operating activities	5,280	51,879	48,111	11,539	(14,091)	79,639	30,415	15,109
Cash used in investing activities	(6,546)	(9,817)	(11,686)	(9,478)	(8,804)	(13,771)	(21,757)	(21,706)
Cash (used in) provided by financing activities	(20,916)	(14,022)	(42,595)	(8,529)	(5,984)	(33,182)	(6,778)	7,458
Net change in cash	$(22,182)	$ 28,040	$(6,170)	$(6,468)	$(28,879)	$ 32,686	$ 1,880	$ 861
Box office revenue per patron	$7.98	$8.07	$7.86	$7.98	$8.13	$8.17	$8.09	$7.87
Concession revenue per patron	$3.87	$3.87	$3.79	$3.97	$3.77	$3.67	$3.77	$3.72
Attendance (in thousands of patrons)	14,645	13,076	19,129	15,050	13,893	14,369	15,380	14,481

(i) Computed using weighted average number of LP Units outstanding for the period (excluding unconverted Class C LP Units).

Distributable Cash

Management calculates distributable cash per LP Unit for the Partnership as follows (expressed in thousands of Canadian dollars except per unit data and number of LP Units outstanding):

	2008	2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Cash provided by (used in) operating activities	$ 5,280	$ 51,879	$ 48,111	$ 11,539	$ (14,091)	$ 79,639	$ 30,415	$ 15,109
Less: Total capital expenditures	(7,817)	(7,660)	(5,524)	(9,480)	(4,928)	(13,971)	(21,257)	(20,956)
Standardized distributable cash	(2,537)	44,219	42,587	2,059	(19,019)	65,668	9,158	(5,847)
Less:								
Changes in operating assets and liabilities	12,558	(34,779)	(6,085)	15,195	28,591	(46,995)	5,027	4,487
Tenant inducements	(1,818)	(1,820)	(932)	(2,535)	(617)	(6,829)	(10,604)	(2,907)
Principal component of capital lease obligations	(384)	(377)	(371)	(364)	(357)	(347)	(345)	(339)
Dividends paid by subsidiary to non-controlling interest	-	-	-	-	-	-	-	(196)
Add:								
New build capital expenditures and other	6,983	3,637	3,631	6,506	3,433	9,932	19,352	19,899
Interest on loan from Cineplex Galaxy Trust	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Non-cash components in operating assets and liabilities	445	457	464	405	421	320	333	312
Expenses funded through integration and restructuring reserve	-	5	5	21	16	20	27	32
Distributable cash	$ 18,747	$ 14,842	$ 42,799	$ 24,787	$ 15,968	$ 25,269	$ 26,448	$ 18,941
Number of LP Units outstanding	57,150,687	57,150,594	57,150,421	57,150,421	57,150,421	57,150,421	57,150,421	55,809,762
Distributable cash per LP Unit	$ 0.3280	$ 0.2597	$ 0.7489	$ 0.4337	$0.2794	$0.4421	$0.4628	$0.3394

BALANCE SHEET

Assets

Total assets decreased $47.9 million from December 31, 2007 to $730.1 million at March 31, 2008 due mainly to decreases in cash and cash equivalents of $22.2 million, accounts receivable of $18.4 million, property, equipment and leaseholds of $7.9 million, and other intangible assets of $1.4 million; offset by an increase in prepaid expenses of $3.0 million.

Accounts receivable. Accounts receivable decreased $18.4 million to $26.9 million at March 31, 2008 from $45.3 million as at December 31, 2007. This decrease was mainly due to the collection of receivables from the sale of gift cards and coupons and the collection of media advertising revenues from the 2007 holiday season.

Property, equipment and leaseholds. The decrease in fixed assets from $420.9 million at December 31, 2007 to $413.0 million at March 31, 2008 is due to amortization expenses ($15.5 million) and asset dispositions ($0.4 million) offset by new build capital expenditures ($7.2 million) and maintenance capital expenditures ($0.8 million).

Other intangibles. Other intangible assets decreased by $1.4 million from $52.8 million at December 31, 2007 to $51.4 million at March 31, 2008. This decrease is due to amortization.

Prepaid expenses and other current assets. Prepaid expenses and other current assets increased $3.0 million from $4.6 million at December 31, 2007 to $7.6 million at March 31, 2007. The increase is due to the annual prepayment of certain occupancy costs which are paid during the first quarter and expensed over the remainder of the year.

Liabilities

Total liabilities decreased $28.7 million from $772.2 million at December 31, 2007 to $743.5 million as at March 31, 2008 primarily due to a decrease in accounts payable and accrued expenses of $18.3 million and deferred revenue of $13.2 million, offset by an increase in the fair value of interest rate swap agreement liability.

Accounts payable and accrued expenses. Accounts payable and accrued expenses decreased from $80.8 million at December 31, 2007 to $62.5 million at March 31, 2008. The decrease is primarily due to the settlement of year end liabilities relating to increased business volumes during the fourth quarter of 2007.

Deferred revenue. Deferred revenue decreased by $13.2 million to $51.4 million as at March 31, 2008 from $64.6 million as at December 31, 2007. This is due primarily to the redemption of gift cards and coupons sold during the holiday season in December 2007 and the traditionally slower gift card and coupon sales during the first quarter of the year.

Fair value of interest rate swap agreements. Fair value of interest rate swap agreements decreased $3.2 million from an asset of $1.5 million at December 31, 2007 to a liability of $1.7 million at March 31, 2008. The decrease was caused by a decline in the prime interest rate during the first quarter of 2008. Under the terms of the swap agreements, the Partnership pays fixed interest payments and receives a floating rate, therefore the decrease in the market rates during the period has reduced the present value of the future cash flows associated with the swap agreements from an asset position at December 31, 2007 to a liability position at March 31, 2008.

OUTSTANDING FUND UNITS

The Fund had the following Fund Units outstanding for the three months ended March 31 (expressed in thousands of Canadian dollars, except for numbers of Fund Units):

	2008		2007	
	Number of Fund Units	Amount	Number of Fund Units	Amount
Opening balance – January 1				
Fund Units	43,239,715	$ 562,960	34,116,698	$ 419,819
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	1,024	-	-
LTIP Fund Units	(117,491)	(1,802)	-	-
	43,122,224	570,728	34,116,698	428,365
Transactions during the period				
Issuance of Fund Units under the Exchange Agreement	174,502	2,146	-	-
LTIP compensation obligation, net of vested Fund Units	-	1,084	-	-
Purchase of LTIP Fund Units	(410,949)	(6,887)		
Settlement of LTIP obligation through transfer of Fund Units to LTIP participants	196,014	3,196	-	-
	(40,433)	(461)	-	-
Closing balance – End of period				
Fund Units	43,414,217	565,106	34,116,698	419,819
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	2,108	-	-
LTIP Fund Units	(332,426)	(5,493)	-	-
	43,081,791	$ 570,267	34,116,698	$ 428,365

The LTIP compensation obligation is recorded as an accrued liability until the corresponding LTIP pool of funds is utilized to acquire Fund Units, at which point it the liability is reclassified to unit capital, as the Fund is obligated to deliver a fixed number of Fund Units, the value of which will vary with the market value of the Fund Units. Subsequent changes in the fair value of the Fund Units are not recognized.

Under terms of the Exchange Agreement, on April 2, 2007, COC exchanged 18,411,913 Class B, Series 1 and 2,086,957 Class B, Series 2-C LP Units for 11,376,119 units of CELP 2007 LP ("CELP 2007 LP Units") and 9,122,751 Fund Units.

Class B and Class D LP Units of the Partnership and CELP 2007 LP Units may be exchanged for Fund Units on a one-for-one basis. The following Class B and Class D LP Units and CELP 2007 LP Units had not been exchanged for Fund Units at March 31, 2008 and 2007:

	Number of Units	
	2008	**2007**
Class B Series 1	626,589	19,038,502
Class B Series 2-C	-	2,086,957
Class B Series 2-G	1,733,762	1,779,264
Class D	-	129,000
CELP 2007 Class B	11,376,119	-
	13,736,470	23,033,723

During the first quarter of 2008, the Fund initiated a Fund Unit option plan designed to compensate certain employees for service while encouraging Fund Unit ownership by those individuals, ensuring their interests are aligned with those of the Fund, and providing compensation opportunities to attract, retain and motivate key employees. Subject to approval of the option plan by the Fund's unitholders at the annual general meeting on May 14, 2008, the Fund will grant options to acquire 1,250,000 Fund Units at an exercise price of $17.03 per Fund Unit. One third of the options vests on each anniversary of the grant date. The compensation cost associated with the options granted will be recognized over the vesting periods, if approved by the Fund's unitholders.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Cash flow is generated primarily from the sale of admission tickets, concession sales and other revenues. Generally, this provides the Partnership with positive working capital, since cash revenues are normally collected in advance of the payment of certain expenses. Box office revenues are directly related to the success and appeal of the film product produced and distributed by the studios.

Cash provided by operating activities was $5.3 million for the three months ended March 31, 2008 compared to a use of $14.1 million for the three months ended March 31, 2007. The primary reason for the change was the changes in operating assets and liabilities versus the same period one year ago ($16.0 million) driven by a smaller decrease in accounts payable movement for the first quarter of 2008 compared to the first quarter of 2007, a smaller net loss for the period ($3.1 million) and higher tenant inducement receipts ($1.2 million), offset by a lower non-cash loss on disposal of theatre assets during the first quarter of 2008 compared to the first quarter of 2007 ($1.5 million).

Investing Activities

Cash used in investing activities for the three months ended March 31, 2008 of $6.5 million related to capital expenditures ($7.8 million) and a payment relating to the acquisition of the *Famous* magazines ($0.4 million), offset by proceeds from real estate transactions and the proceeds from the sale of theatre assets ($1.7 million). Cash used in investing activities for the three months ended March 31, 2007 of $8.8 million primarily related to capital expenditures ($4.9 million), a lease guarantee payment (see "Future Obligations" below) ($4.5 million) and theatre shutdown payments ($2.0 million), offset by proceeds from real estate transactions ($3.0 million). Capital expenditures were higher in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to expenditures related to the Galaxy Red Deer theatre that was opened in March 2008.

The Partnership funds maintenance capital expenditures through internally generated cash flow and cash on hand. The Partnership's Revolving Facility (discussed in "Credit Facilities") is available to fund new theatre capital expenditures.

Financing Activities

Cash used in financing activities for the three months ended March 31, 2008 of $20.9 million was due primarily to distribution payments ($13.6 million) and the acquisition of Fund Units ($6.9 million). Cash used in financing activities for the three months ended March 31, 2007 of $6.0 million was due primarily to distribution payments ($12.9 million) and the acquisition of Fund Units ($2.7 million), offset by credit facility net borrowings ($10.0 million).

The Partnership believes that it will be able to meet its future cash obligations with its cash and cash equivalents, cash flows from operations and funds available under the Second Amended Credit Facilities as described in "Credit Facilities".

Distributions

Partnership distributions are made on a monthly basis to unitholders of record of Class A LP Units, Class B LP Units, converted Class C LP Units and Class D LP Units on the last business day of each month. For the three months ended March 31, 2008, the Partnership's distributable cash per LP Unit was $0.3280 compared to $0.2794 for the same period in 2007. The declared distribution per LP Unit and interest on the Galaxy Note (see "Credit Facilities" below) per LP Unit for the three months ended March 31, 2008 totaled $0.3000, and for the three months ended March 31, 2007 totaled $0.2874. Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of financial performance and it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. The Partnership's distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to distributable cash as reported by such entities.

Holders of the Class B LP Units and Class D LP Units are entitled to receive, before distributions made by the Partnership to holders of the Class A LP Units and the converted Class C LP Units, a per unit distribution equal to the per unit interest payments made to the Trust in respect of the Galaxy Note (the "Catch-up Payment"). Any remaining amounts available for distribution will be shared pro rata between the holders of the Class A LP Units, Class B LP Units, converted Class C LP Units and Class D LP Units. The purpose of the Catch-up Payment is to ensure that distributions on the Class B LP Units and Class D LP Units are equal to Class A LP Unit and converted Class C LP Unit distributions, on a per unit basis, which reflect, in part, payments received by the Trust on the Galaxy Note.

As distributions on the unconverted Class C LP Units are made twice a year, on the business day before June 30 and December 31, the Partnership made no distributions on the unconverted Class C LP Units during the three months ended March 31, 2008. Distributions on the unconverted Class C LP Units are deducted by the Partnership in computing its net income and distributable cash.

For the three months ended March 31, 2008 and March 31, 2007 the Fund declared distributions totaling $0.3000 and $0.2874 per Fund Unit, respectively. Effective for the May 2007 distribution, the Fund increased its monthly distribution from $0.0958 to $0.1000 per Fund Unit, or $1.20 per Fund Unit on an annualized basis and has maintained that distribution through March 2008. The Fund is entirely dependent on distributions from the Partnership and interest payments from GEI to make its own distributions.

The after-tax return to unitholders of the Fund subject to Canadian federal income tax from an investment in Fund Units will depend, in part, on the composition for tax purposes of the distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital which are not included in a unitholder's income but which reduce the adjusted cost base of the Fund Units to the unitholder. The composition of distributions for tax purposes has not yet been determined for 2008.

The composition for tax purposes of these distributions may change over time, thus affecting the after-tax return to such unitholders. The composition of distributions for tax purposes for each of the following years ending December 31 were as follows (in dollars per unit):

		Taxable Income		Capital Gain		Return of Capital	
	Distributions Declared	Amount	Percent of Distribution	Amount	Percent of Distribution	Amount	Percent of Distribution
2007	$1.18320	$1.12356	95.0%	$ -	-	$0.05964	5.0%
2006	$1.14960	$1.07256	93.3%	$ -	-	$0.07704	6.7%
2005	$1.14960	$0.77332	67.3%	$0.19097	16.6%	$0.18531	16.1%

At March 31, 2008, based on substantively enacted tax rates, the Partnership had tax pools of $604.6 million available to offset future taxable income. Use of these tax pools is restricted to a percentage claim based on the nature of the original expenditure.

In 2007, the Department of Finance (Canada) substantively enacted modifications to the income tax rules that will result in the taxation of distributions made by the Fund beginning in the year 2011 (see "Risks and Uncertainties" below).

Credit Facilities

The Partnership's credit agreement with a syndicate of lenders consists of the following facilities (collectively, the "Second Amended Credit Facilities"):

(i) a five-year $130 million senior secured revolving credit facility ("Revolving Facility"); and
(ii) a five-year $235 million senior secured non-revolving term credit facility ("Term Facility").

The Second Amended Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, or banker's acceptances rates plus, in each case, an applicable margin to those rates, and amended and restated the Partnership's former amended credit facilities ("Former Amended Credit Facilities"). There are provisions to increase the Revolving Facility commitment amount by an additional $100 million with the consent of the lenders. The Term Facility matures in July 2012 and is payable in full at maturity, with no scheduled repayment of principal required prior to maturity.

During the three months ended March 31, 2008, the Partnership did not borrow or repay any amounts under the Second Amended Credit Facilities. During the three months ended March 31, 2007, the Partnership borrowed $21.0 million and repaid $11.0 million under the Former Amended Credit Facilities. At March 31, 2008 the Partnership had no amount outstanding under the Revolving Facility and $235.0 million outstanding under the Term Facility.

The Partnership's Second Amended Credit Facilities contain numerous restrictive covenants that limit the discretion of the Partnership's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Partnership to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

The Second Amended Credit Facilities are secured by all of the Partnership's assets and are guaranteed by the Trust.

The Partnership believes that the Second Amended Credit Facilities and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for capital expenditures, investments in working capital and distributions. However, the Partnership's needs may change and in such event the Partnership's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond the Partnership's control.

Interest rate swap agreements. Effective July 22, 2005, the Partnership entered into three interest rate swap agreements. In accordance with the interest rate swap agreements, the Partnership pays interest at a fixed rate of 3.8% per annum, plus an applicable margin, and receives a floating rate. The 3.8% fixed interest rate reflects the mark-to-market buyout of the previous interest rate swap agreement on the former credit facilities. The interest rate swap agreements have a term of four years in the aggregate notional principal amount outstanding of $200 million and mature in July 2009. The purpose of the interest rate swap agreements is to act as a cash flow hedge to manage the floating rate payable under the Term Facility. Under the provisions of CICA Handbook Section 3865, *Hedges*, the interest rate swap agreements are recorded on the balance sheet at their fair values, with subsequent changes in fair value recorded in either net income or other comprehensive income. Subsequent to the period end, the Partnership entered into three new interest rate swap agreements (see "Subsequent Event" below).

Due to Cineplex Galaxy Trust. On November 26, 2003, the Trust entered into an agreement with GEI, a wholly-owned subsidiary of the Partnership, whereby it loaned $100.0 million to GEI (the "Galaxy Note"). The Galaxy Note bears interest at a rate of 14% per annum, payable monthly with the principal due on November 26, 2028. The Galaxy Note is unsecured and subordinated to the Second Amended Credit Facilities.

Future Obligations

As of March 31, 2008, the Partnership had aggregate capital commitments of $23.4 million related to the completion of construction of six theatre properties to include an aggregate of 50 screens. The Partnership expects to complete construction and to open these theatres during 2008 and 2009.

At March 31, 2008, the Partnership had outstanding letters of credit totaling $0.9 million (2007 – $0.6 million).

The Fund has $105.0 million principal amount of Convertible Debentures outstanding that have a maturity date of December 31, 2012. As at March 31, 2008, the liability component of the Convertible Debentures was recorded on the Fund's balance sheet at $99.0 million (2007 - $98.0 million). The Convertible Debentures are being accreted to their maturity value using the effective interest method as prescribed by CICA Section 3855, *Financial Instruments – Recognition and Measurement.* On redemption or at the December 31, 2012 maturity date, the Fund may, at its option, on not more than 60 days' and not less than 30 days' prior notice and subject to regulatory approval, elect to satisfy its obligation to pay the applicable redemption price or the principal amount of the Convertible Debentures by issuing and delivering Fund Units.

The Partnership conducts a significant part of its operations in leased premises. The Partnership's leases generally provide for minimum rent and a number of the leases also include percentage rent based primarily upon sales volume. The Partnership's leases may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expenses. Initial lease terms generally range from 15 to 20 years and contain various renewal options, generally in intervals of five to ten years.

During 2005, the Partnership and Famous Players sold 29 theatres to third parties, of which 24 were leased properties. The Partnership is guarantor under the 24 leases for the remainder of the lease term in the event that the purchaser of each theatre does not fulfill its obligations under the respective lease. As at March 31, 2008, two of the disposed leased theatres have since closed, extinguishing the Partnership's obligations for these properties.

During the first quarter of 2006, the Partnership entered into an agreement with a third party to divest seven theatres, six of which were leased properties. The Partnership is a guarantor under the six leases for the remainder of the lease term in the event that the purchaser of the theatres does not fulfill its obligations under the respective lease. During 2007, the Partnership was notified that the guarantee provided to a landlord of one of the theatre properties disposed of had been triggered; this was settled for $4.5 million during the first quarter of 2007.

During 2006, the Partnership entered into an agreement with a related party to divest its 49% share in the three remaining Alliance Atlantis branded theatres. The Partnership is guarantor for its 49% share of the leases for the remainder of the lease term in the event that the purchaser of the Partnership's share in the theatres does not fulfill its obligations under the respective lease. One of the disposed theatres closed during 2007, extinguishing the Partnership's obligations for that property.

The Partnership guarantees certain advertising revenues based on attendance levels including all of the theatres disposed to third parties.

No amounts have been provided in the consolidated financial statements for guarantees for which the Partnership has not been notified of triggering events as at March 31, 2008 in accordance with the transitional provisions for CICA Section 3855, *Financial Instruments – Recognition and Measurement*, the Partnership assessed the fair value of these guarantees to be a nominal amount. Should the purchasers of the theatres fail to fulfill their lease commitment obligations, the Partnership could face a substantial financial burden.

RELATED PARTY TRANSACTIONS

The Fund and Partnership have entered into transactions with certain parties to which it is related as summarized below.

COC charged the Partnership $0.1 million for each of the three months ended March 31, 2008 and 2007 for rent for the Partnership's head office.

The Partnership performs certain management and film booking services for the six joint ventures in which it is a partner. During the three months ended March 31, 2008, the Partnership earned revenue in the amount of $0.1 million with respect to these services (2006 - $0.3 million). On December 31, 2007, the Partnership acquired the other venturer's interest in one joint venture, representing a 50% interest in three theatres with 21 screens located in Quebec. Upon closing, the Partnership owns 100% of the joint venture.

Distributions paid by the Partnership to related parties during the three months ended March 31, 2008 and 2007 were as follows (in thousands of dollars):

	Three months ended March 31,	
	2008	2007
Fund	$ 9,472	$6,306
Onex and its subsidiaries	4,053	6,505
Other related parties	76	73

Distributions payable by the Partnership to related parties at March 31, 2008 and 2007 were as follows (in thousands of dollars):

	As at March 31,	
	2008	2007
Fund	$ 3,175	$2,102
Onex and its subsidiaries	1,348	2,168
Other related parties	13	24

Transactions noted above are in the normal course of business and unless otherwise noted are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates made by management in the preparation of the financial statements relate to the allocation of the purchase price to the assets and liabilities acquired in the Fund's consolidation of the Partnership and the Partnership's acquisition of other businesses, the assessment of theatre cash flows to identify potential asset impairments, the value of unredeemed loyalty points and of gift certificates that remain unutilized and in circulation for revenue recognition purposes and the film cost payable accrual. The discussion on the methodology and assumptions underlying these critical accounting estimates, their effect on the Fund's results of operations and financial position for the past three years ended December 31, 2007 can be found in the Fund's 2007 MD&A. Such discussions have not changed during the first quarter of 2008.

ACCOUNTING POLICIES

Initial Adoption of Accounting Policies

In December 2006, the CICA issued new Handbook sections: Section 1535, *Capital Disclosures*; Section 3862, *Financial Instruments – Disclosures*; and Section 3863, *Financial Instruments – Presentation*, for annual and interim periods beginning on or after October 1, 2007. Section 1535 establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. Sections 3862 and 3863 enhance existing disclosures in previously issued Section 3861, *Financial Instruments – Disclosure and Presentation*. Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. The Fund adopted these standards on January 1, 2008.

In April 2007, the CICA Accounting Standards Board amended section 1400, *General Standards of Financial Statement Presentation*. These amendments require management to disclose any uncertainties that cast significant doubt upon the entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date. The Fund adopted this standard on January 1, 2008 on a prospective basis, and it did not affect the consolidated financial statements.

In June 2007, the CICA issued new Handbook section 3031, *Inventories*, which replaces CICA 3030, *Inventories*. The new standard requires inventory to be measured at the lower of cost or net realizable value and requires any writedowns to be reversed if the value subsequently recovers, provides expanded guidance on the determination of cost, including the allocation of overhead and expanded disclosures. The Fund adopted this standard on January 1, 2008 and there was no effect on the consolidated financial statements.

Future Changes in Accounting Policies

Management of the Fund reviews all changes to the CICA Handbook when issued. The following is a discussion of relevant items that were released, revised or will become effective after March 31, 2008:

In February 2008, the CICA confirmed that International Financial Reporting Standards ("IFRS") will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Fund is analyzing the impact of IFRS on the consolidated financial statements when they are adopted no later than January 1, 2011.

In February 2008, the CICA issued Handbook section 3064, *Goodwill and Other Intangible Assets*, which replaces Handbook Sections 3062, *Goodwill and Other Intangible Assets*, and 3450, *Research and Development Costs*. The Fund does not expect a material impact on the consolidated financial statements when the new standard is adopted January 1, 2009.

RISKS AND UNCERTAINTIES

On October 31, 2006, the Department of Finance (Canada) announced the "Tax Fairness Plan" whereby the income tax rules applicable to certain publicly traded or listed trusts and partnerships will be significantly modified. In particular, certain income of (and distributions made by) these entities or specified investment flow-through entities (SIFTs) will be taxed in a manner similar to income earned by (and distributions made by) a corporation. These proposals will be effective for the 2007 taxation year with respect to trusts which commence public trading after October 31, 2006. For trusts which were publicly traded or listed prior to November 1, 2006, the application of the rules will be delayed to the earlier of (i) the trust's 2011 taxation year, and (ii) a taxation year of the trust in which the trust exceeds normal growth as determined by reference to the normal growth guidelines, as amended from time to time, unless that excess arose as a result of a prescribed transaction.

On December 15, 2006, the Department of Finance (Canada) released the normal growth guidelines for income trusts and other flow-through entities that qualify for the four-year transitional relief. The guidance establishes objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. In general, the Fund will be permitted to issue new equity over the next four years equal to its market capitalization as of the end of trading on October 31, 2006 (subject to certain annual limits). Market capitalization, for these purposes, is to be measured in terms of the value of the Fund's issued and outstanding publicly-traded units. If these limits are exceeded, the Fund may lose its transitional relief and thereby become immediately subject to the rules.

On June 12, 2007 the legislation enacting the Minister of Finance's October 31, 2006 "Tax Fairness Plan" was substantively enacted.

On December 20, 2007 the Minister of Finance announced proposed technical amendments to clarify the tax rules that apply to SIFTs. Draft legislation implementing these amendments has not been released. One of the proposed amendments is intended to exempt from the SIFT rules a subsidiary partnership that carries on business that is not publicly traded and that is owned by a SIFT, a taxable Canadian corporation or a combination of these entities. Although the Partnership is not publicly traded, the proposed amendments do not appear to exempt a partnership whose partners include individuals. Management believes however that the Partnership will not be a SIFT in 2011.

The Fund is considering these announcements and the possible impact of the rules to the Fund. The rules (including the normal growth guidelines released on December 15, 2006) may adversely affect the marketability of the Fund's units and the ability of the Fund to undertake financings and acquisitions, and, at such time as the rules apply to the Fund, the distributable cash of the Fund may be materially reduced.

Other risks and uncertainties for the Partnership's business and relevant to an investment in Fund Units are described in the Fund's 2007 annual MD&A dated February 6, 2008 and AIF dated March 28, 2008.

OUTLOOK

Management believes there are opportunities to grow revenue and distributable cash per unit. For example, cinema advertising continues to represents a growth opportunity for the Partnership. Management believes that its cinema advertising network, which includes affiliate members, and which reaches an audience of up to 94.1 million guests annually on a national basis, will continue to receive enhanced demand from advertisers. In addition, the Partnership continues to realize and seek out other revenue growth opportunities which include such opportunities as sponsorship opportunities, extracting the benefits of the SCENE loyalty program, new theatre development, alternative programming and entertainment opportunities and web-based initiatives.

The Partnership believes that its' Second Amended Credit Facilities and ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for capital expenditures, investments in working capital and distributions. However, the Partnership's needs may change and in such event the Partnership's ability to satisfy its obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including elements beyond the Partnership's control.

SUBSEQUENT EVENT

Subsequent to the period end, the Partnership entered into three interest rate swap agreements. Under the interest rate swap agreements, the Partnership will pay a fixed rate of 3.97% per annum, plus an applicable margin, and will receive a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. The interest rate swap agreements have a term of three years commencing in July 2009 and maturing in July 2012, and an aggregate notional principal amount of $235.0 million. The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Partnership's Term Facility. The Partnership considered its hedging relationships and determined that the interest rate swap agreements on its Term Facility qualify for hedge accounting in accordance with CICA Section 3865, *Hedges*.

May 7, 2008

Cineplex Galaxy Income Fund

Interim Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

	March 31, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 22,083	$ 44,254
Accounts receivable	26,868	45,322
Inventories	3,091	3,026
Prepaid expenses and other current assets	7,634	4,584
	59,676	97,186
Property, equipment and leaseholds	451,476	461,506
Fair value of interest rate swap agreements	-	1,523
Future income taxes	8,166	10,188
Deferred charges	1,052	1,085
Intangible assets	128,135	131,603
Goodwill	601,035	600,975
	$ 1,249,540	$ 1,304,066

These interim financial statements consolidate the results of Cineplex Entertainment Limited Partnership (the "Partnership") from April 2, 2007. Prior to that date, the results of the Partnership were accounted for by the equity method (note 2).

The accompanying notes are an integral part of these interim consolidated financial statements.

Cineplex Galaxy Income Fund

Interim Consolidated Balance Sheets …*continued*

(expressed in thousands of Canadian dollars)

	March 31, 2008 (Unaudited)	December 31, 2007
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 65,064	$ 81,309
Distributions payable (note 6)	5,715	5,715
Income taxes payable	51	65
Deferred revenue	51,405	64,610
Capital lease obligations - current portion	1,610	1,581
	123,845	153,280
Long-term debt	232,412	232,265
Fair value of interest rate swap agreements	1,685	-
Capital lease obligations - long-term portion	34,418	34,831
Accrued pension benefit liability	848	672
Other liabilities	101,993	102,015
Convertible debentures - liability component	99,005	98,748
	594,206	621,811
Non-controlling interests (note 2)	165,622	174,787
Unitholders' Equity	489,712	507,468
	$ 1,249,540	$ 1,304,066

These interim financial statements consolidate the results of Cineplex Entertainment Limited Partnership (the "Partnership") from April 2, 2007. Prior to that date, the results of the Partnership were accounted for by the equity method (note 2).

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Trustees

"Howard Beck"
Trustee

"Robert Steacy"
Trustee

Cineplex Galaxy Income Fund

Interim Consolidated Statements of Operations
(Unaudited)

(expressed in thousands of Canadian dollars, except per unit amounts)

	Three months ended March 31, 2008	Three months ended March 31, 2007 (note 2)
Revenues		
Box office	$ 116,823	$ -
Concessions	56,721	-
Other	16,297	-
	189,841	-
Expenses		
Film cost	58,932	-
Cost of concessions	11,653	-
Occupancy	39,347	-
Other operating	45,252	-
General and administrative	9,567	-
	164,751	-
Income before undernoted	25,090	-
Amortization	21,102	-
Loss on disposal of theatre assets	311	-
Share of loss of Cineplex Entertainment Limited Partnership (note 3)	-	4,241
Interest and accretion expense on convertible debentures	1,840	1,798
Interest on long-term debt and capital lease obligations	4,589	-
Interest income	(297)	(5,087)
Loss before income taxes and non-controlling interests	(2,455)	(952)
Provision for (recovery of) income taxes		
Current	(5)	-
Future	2,023	-
	2,018	-
Loss before non-controlling interests	(4,473)	(952)
Non-controlling interests	(2,218)	-
Net loss	$ (2,255)	$ (952)
Basic net loss per Fund unit	$ (0.05)	$ (0.03)
Weighted average number of units outstanding used in computing basic net loss per Fund unit	43,126,290	34,116,698
Diluted net loss per Fund unit (note 8)	$ (0.08)	$ (0.04)
Weighted average number of units outstanding used in computing diluted net loss per Fund unit (note 8)	56,981,034	57,150,421

These interim financial statements consolidate the results of Cineplex Entertainment Limited Partnership (the "Partnership") from April 2, 2007. Prior to that date, the results of the Partnership were accounted for by the equity method (note 2).

The accompanying notes are an integral part of these interim consolidated financial statements.

Cineplex Galaxy Income Fund

Interim Consolidated Statements of Unitholders' Equity and Comprehensive Loss
(Unaudited)

(expressed in thousands of Canadian dollars)

For the three months ended March 31, 2008

	Accumulated earnings	Accumulated distributions	Accumulated distributions in excess of accumulated earnings	Accumulated other comprehensive income (loss)	Unitholders' capital (note 7)	Total unitholders' equity	Comprehensive loss
Balance - December 31, 2007	$ 73,532	$ (137,082)	**$ (63,550)**	$ 290	$ 570,728	**$ 507,468**	**$ -**
Issuance of units under Exchange Agreement (note 2)	-	-	-	-	2,146	**2,146**	-
LTIP compensation obligation	-	-	-	-	1,084	**1,084**	-
LTIP Fund units	-	-	-	-	(3,691)	**(3,691)**	-
Distributions declared (note 6)	-	(12,989)	**(12,989)**	-	-	**(12,989)**	-
Net loss	(2,255)	-	**(2,255)**	-	-	**(2,255)**	**(2,255)**
Other comprehensive loss - interest rate swap agreements	-	-	-	(2,051)	-	**(2,051)**	**(2,051)**
Comprehensive loss for the period							**$ (4,306)**
Balance - March 31, 2008	$ 71,277	$ (150,071)	**$ (78,794)**	$ (1,761)	$ 570,267	**$ 489,712**	

The sum of the accumulated distributions in excess of accumulated earnings and accumulated other comprehensive loss as at March 31, 2008 is $80,555.

For the three months ended March 31, 2007

	Accumulated income	Accumulated distributions	Accumulated distributions in excess of accumulated income	Accumulated other comprehensive income	Unitholders' capital (note 7)	Total unitholders' equity	Comprehensive income (loss)
Balance - December 31, 2006	$ 42,307	$ (88,543)	**$ (46,236)**	$ 1,449	$ 428,365	**$ 383,578**	**$ -**
Distributions declared (note 6)	-	(9,804)	**(9,804)**	-	-	**(9,804)**	-
Net loss	(952)	-	**(952)**	-	-	**(952)**	**(952)**
Fund's share of the Partnership's other comprehensive income	-	-	-	222	-	**222**	**222**
Comprehensive loss for the period							**$ (730)**
Balance - March 31, 2007	$ 41,355	$ (98,347)	**$ (56,992)**	$ 1,671	$ 428,365	**$ 373,044**	

The sum of the accumulated distributions in excess of accumulated earnings and accumulated other comprehensive income as at March 31, 2007 is $55,321.

These interim financial statements consolidate the results of Cineplex Entertainment Limited Partnership (the "Partnership") from April 2, 2007. Prior to that date, the results of the Partnership were accounted for by the equity method (note 2).

The accompanying notes are an integral part of these interim consolidated financial statements.

Cineplex Galaxy Income Fund

Interim Consolidated Statements of Cash Flows
(Unaudited)

(expressed in thousands of Canadian dollars)

	Three months ended March 31, 2008	Three months ended March 31, 2007 (note 2)
Cash provided by (used in)		
Operating activities		
Net loss	$ (2,255)	$ (952)
Adjustments to reconcile net loss to net cash used in operating activities		
Share of loss from equity investee	-	4,241
Amortization of property, equipment and leaseholds, deferred charges and intangible assets	21,102	-
Amortization of tenant inducements, rent averaging liabilities and fair value lease contract liabilities	269	-
Amortization of debt issuance costs	147	-
Loss on disposal of theatre assets	311	-
Future income taxes	2,023	-
Cash flow hedges - non-cash interest	508	-
Non-controlling interests	(2,218)	-
Accretion of convertible debentures	257	227
Distributions received from Cineplex Entertainment Limited Partnership	-	6,306
Tenant inducements	1,818	-
Changes in operating assets and liabilities (note 9)	(13,171)	(6)
	8,791	9,816
Investing activities		
Proceeds from sale of theatre assets	1,658	-
Purchases of property, equipment and leaseholds	(7,817)	-
Acquisition of Famous branded magazines	(387)	-
	(6,546)	-
Financing activities		
Distributions paid	(12,972)	(9,804)
Distributions paid by the Partnership to non-controlling interests	(4,173)	-
Acquisition of LTIP Fund units	(6,887)	-
Payments under capital leases	(384)	-
	(24,416)	(9,804)
(Decrease) increase in cash and cash equivalents during the period	(22,171)	12
Cash and cash equivalents - Beginning of period	44,254	1,270
Cash and cash equivalents - End of period	$ 22,083	$ 1,282
Supplemental information		
Cash paid for interest	$ 3,425	$ -
Cash paid for income taxes - net	$ -	$ -
Cash received for interest	$ 280	$ 3,511

Certain non-cash transactions occurred relating to exchanges of the non-controlling interests' Partnership units for Fund units (note 2).

These interim financial statements consolidate the results of Cineplex Entertainment Limited Partnership (the "Partnership") from April 2, 2007. Prior to that date, the results of the Partnership were accounted for by the equity method (note 2).

The accompanying notes are an integral part of these interim consolidated financial statements.

(expressed in thousands of Canadian dollars, except per unit amounts)

1 Description of the Fund

Cineplex Galaxy Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario on October 2, 2003 pursuant to the Fund Declaration of Trust. The Fund was established to invest, through Cineplex Galaxy Trust (the "Trust"), a newly constituted wholly owned trust, in partnership units of Cineplex Entertainment Limited Partnership (the "Partnership") and shares of Cineplex Entertainment Corporation (the "General Partner"), the general partner of the Partnership. The Partnership was formed on November 26, 2003 to acquire substantially all of the theatre business assets and liabilities of Cineplex Odeon Corporation ("COC") and all of the shares of Galaxy Entertainment Inc. ("GEI"). As at March 31, 2008, the Fund indirectly owns 76.0% of the Partnership. Non-controlling investors of the Partnership include COC, Cineplex Odeon (Quebec) Inc., Onex Corporation ("Onex") and other former investors in GEI. In 2005, the Partnership acquired 100% of Famous Players Limited Partnership ("Famous Players") and its general partner, Famous Players Co. The Fund is currently Canada's largest film exhibition organization, with theatres in six provinces.

2 Acquisition of control and consolidation of the Partnership

As a result of the various step acquisitions that took place prior to December 31, 2006, the Fund's indirect ownership of the Partnership, held through the Trust, was approximately 59.7% as at April 1, 2007. These step acquisitions were a result of subscriptions of Partnership units as well as exchanges of Fund units for Partnership units, indirectly through the Trust, on a one-for-one basis.

On April 2, 2007, under the provisions of the Exchange Agreement, COC exchanged 9,122,751 Partnership units for 9,122,751 Fund units. The Fund recorded the Partnership units it acquired at the fair market value of the Fund units, which was $143,136 on the date of the transaction.

Prior to the April 2, 2007 step acquisition, the Fund accounted for its ownership interest in the Partnership under the equity method. As a result of the April 2, 2007 exchange, the Fund indirectly acquired an additional 16.0% interest in the Partnership, increasing its ownership to 75.7%. The acquisition of the additional interest in the Partnership is accounted for as a step acquisition as at April 2, 2007 for the purpose of purchase price allocation and the assigning of costs to identifiable assets and liabilities, intangible assets and goodwill.

As a result of all of the Fund's step acquisitions in the Partnership (collectively, the "Step Acquisitions"), the Fund acquired control of the Partnership and applied consolidation accounting effective April 2, 2007. The Step Acquisitions have been accounted for by the purchase method, with the non-controlling interests accounted for in accordance with The Canadian Institute of Chartered Accountants' (the "CICA") recommendations in Emerging Issues Committee-151, *Exchangeable Securities Issued by Subsidiaries of Income Trusts* ("EIC-151"); accordingly, the results of operations of the Partnership have been included in these consolidated

(expressed in thousands of Canadian dollars, except per unit amounts)

financial statements, effective with the change in control on April 2, 2007. Based on management's best estimates, the cumulative purchase price has been allocated to the assets and liabilities of the Partnership as follows:

Assets and liabilities acquired		
Property, equipment and leaseholds	$	485,450
Advertising contracts - amortized over three to five years		54,967
Trademarks and trade names - indefinite useful lives		76,385
Goodwill		597,925
Fair value of interest rate swap agreements		2,121
Fair value of leases - assets		10,216
Future income taxes		(3,094)
Other assets		1,185
Net working capital deficiency (including cash of $27,504)		(39,576)
Bank indebtedness		(5,000)
Long-term debt		(250,280)
Net pension liability		(2,513)
Other liabilities		(91,071)
Capital leases		(37,539)
Non-controlling interests		(181,172)
Net assets	$	618,004
Consideration given		
Prior investments in Partnership, net of Fund's share of accumulated Partnership income and distributions	$	265,914
Investment in Partnership on April 2, 2007		143,136
Due from Galaxy Entertainment Inc.		100,000
Investment in Class C Partnership units		105,000
Distributions and interest receivable from Partnership		3,678
		617,728
Transaction costs associated with the acquisition		276
	$	618,004

During the three-month period ended March 31, 2008, the purchase price allocation was finalized. The only change from the allocation disclosed in the 2007 annual consolidated financial statements was an increase to transaction costs and goodwill of $76, respectively.

Prior to the Fund's Step Acquisitions of the Partnership, the Fund and the Partnership entered into a reimbursement agreement under which fees associated with the acquisitions were reimbursed by the Partnership. Therefore, certain transaction costs are included in the acquired net assets of the Partnership.

The Partnership is currently not subject to income or capital taxes, as income, if any, is taxed in the hands of the individual partners. As at the date of the step acquisition, the amount of goodwill that is deductible by the Fund for income tax purposes was estimated to be $209,000.

(expressed in thousands of Canadian dollars, except per unit amounts)

Non-controlling interests - exchangeable units

Outstanding Partnership units ("exchangeable units") are indirectly exchangeable one-for-one for Fund units in the manner set out in the Exchange Agreement. As a result of the Step Acquisitions and the Fund's acquiring control of the Partnership, exchangeable units are accounted for in accordance with EIC-151.

EIC-151 provides guidance on how the exchangeable units classified as non-controlling interests should be measured. When the Fund acquired the Partnership, it met the criteria for use of the exchange amount. The Fund's acquisition of the Partnership was accomplished by Step Acquisitions since the inception of the Partnership; therefore, the April 2, 2007 exchange amount used to initially record the non-controlling interests is the weighted average of the fair value of the Fund's Step Acquisitions of the Partnership. Since the exchangeable units are presented as non-controlling interests in these interim consolidated financial statements and were recorded at the exchange amount, any subsequent exchange after April 2, 2007 is accounted for as a rollover to unitholders' equity at that same value.

In the three months ended March 31, 2008, 174,502 Partnership units were exchanged for 174,502 Fund units and $2,146 was reclassified from non-controlling interests to unitholders' capital. The Fund's indirect ownership of the Partnership increased 0.3% to 76.0% as a result of these exchanges.

3 Summary of significant accounting policies

Basis of presentation

The Fund prepares its unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures contained in these unaudited interim consolidated financial statements do not contain all requirements of GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007.

Prior to April 2, 2007, the Fund accounted for its investment in the Partnership by the equity method. The Fund's share of the Partnership's loss prior to the Fund's acquisition of control and subsequent consolidation of the Partnership was $4,241 for the three months ended March 31, 2007. Therefore, due to the limited amount of information these interim consolidated financial statements provide on the underlying operations of the Fund prior to April 2, 2007, these unaudited interim consolidated financial statements should be read in conjunction with the unaudited interim consolidated financial statements of the Fund for the three months ended March 31, 2007, which include the unaudited interim consolidated financial statements of the Partnership.

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the audited consolidated financial statements for the year ended December 31, 2007, except as described in the remainder of this note.

(expressed in thousands of Canadian dollars, except per unit amounts)

Changes in accounting policies

Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, *Capital Disclosures*. This section establishes standards for disclosing information about an entity's objectives, policies and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Fund adopted this new standard effective January 1, 2008. Capital disclosures are described in note 5.

Financial instruments - disclosure and presentation

In December 2006, the CICA issued Handbook Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*. These standards enhance existing disclosures in previously issued Section 3861, *Financial Instruments - Disclosure and Presentation*. Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Fund adopted these new standards effective January 1, 2008. Additional disclosures required by Section 3862 are provided in note 4.

Financial statement presentation

In April 2007, the CICA Accounting Standards Board amended CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*. These amendments require management to disclose any uncertainties that cast significant doubt on the entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management must take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. This standard was adopted on January 1, 2008 on a prospective basis and did not affect the financial statements.

Inventories

In June 2007, the CICA issued Handbook Section 3031, *Inventories*, which replaces CICA Handbook Section 3030, *Inventories*. The standard requires inventory to be measured at the lower of cost or net realizable value and requires any writedowns to be reversed if the value subsequently recovers, provides expanded guidance on the determination of cost, including the allocation of certain overhead costs and expands disclosures. There was no effect on the financial statements when the new standard was adopted on January 1, 2008.

(expressed in thousands of Canadian dollars, except per unit amounts)

Future changes in accounting standards

The Fund reviews all changes to the CICA Handbook when issued. The following is a discussion of relevant items that were released, revised or will become effective after March 31, 2008:

International Financial Reporting Standards

In February 2008, the CICA confirmed that International Financial Reporting Standards ("IFRS") will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Fund is analyzing the impact of the new standards on its consolidated financial statements.

Goodwill and other intangible assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Other Intangible Assets*, which replaces Handbook Sections 3062, *Goodwill and Other Intangible Assets*, and 3450, *Research and Development Costs*. The Fund is analyzing the impact of the new standards on its consolidated financial statements.

4 Financial instruments

The Fund designates and accounts for financial assets and financial liabilities in accordance with CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*. The Fund classifies its applicable financial assets and financial liabilities as follows:

- held-for trading: cash and cash equivalents;
- loans and receivables: accounts receivable;
- other liabilities: distributions payable, accounts payable and accrued expenses, bank indebtedness, long-term debt and the liability component of convertible debentures; and
- cash flow hedges: interest rate swap agreements.

Fair value

Cash and cash equivalents, accounts receivable and payable, and distributions payable are reflected in the consolidated financial statements at carrying values that approximate fair values because of the short-term maturities of these financial instruments.

The long-term debt has a fair value approximately equal to its face value of $235,000, due to its market rate of interest.

The convertible debentures are publicly traded on the Toronto Stock Exchange and are recorded at amortized cost. Based on the published trading prices, management estimates that the convertible debentures have a fair value of $104,491 as at March 31, 2008 (December 31, 2007 - $104,995).

(expressed in thousands of Canadian dollars, except per unit amounts)

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Management believes the credit risk on cash and cash equivalents is low because the counterparties are banks with high credit ratings.

Accounts receivable include trade and other receivables. Trade receivables are amounts billed to customers for the sales of goods and services. Other receivables include amounts due from suppliers, landlords, municipal tax authorities and other miscellaneous amounts. The Fund's credit risk is primarily related to its trade receivables, as other receivables generally are recoverable through ongoing business relationships with the counterparties.

The Fund grants credit to customers in the normal course of business. The Fund typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit when warranted, and periodically thereafter. Based on historical experience, the Fund records a reserve for estimated uncollectible amounts which management believes reduces credit risk. Management assesses the adequacy of the reserve quarterly, taking into account historical experience, current collection trends, the age of receivables, and when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 120 days in assessing the Fund's credit risk and records a reserve when required to mitigate that risk. When collection efforts have been exhausted, specific balances are written off.

The Fund's trade receivables had a carrying value of $19,894 as at March 31, 2008, representing the maximum exposure to credit risk of those financial assets, exclusive of the allowance for doubtful accounts. Normal credit terms for amounts due from customers call for payment within 30 to 45 days. Approximately 21% of trade receivables were past due as at March 31, 2008, of which $668 was outstanding for more than 120 days.

The following schedule reflects the changes in the allowance for trade receivables during the period:

Allowance for trade receivables - Beginning of period	$	734
Allowance recorded against current period sales		175
Collection of amounts previously allowed		(338)
Amounts written off		(144)
Allowance for trade receivables - End of period	$	427

Due to the Fund's diversified client base, management believes the Fund does not have a significant concentration of credit risk.

(expressed in thousands of Canadian dollars, except per unit amounts)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities.

The table below reflects the contractual maturity of the Fund's undiscounted cash flows for its financial liabilities and interest rate swap agreements:

	Payments due by period				
Contractual obligations	**Total**	**Within 1 year**	**2-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued expenses	$ 65,064	$ 65,064	$ -	$ -	$ -
Interest rate swap agreements	11,400	7,600	3,800	-	-
Long-term debt	235,000	-	-	235,000	-
Capital leases	55,290	4,187	8,544	8,880	33,679
Total contractual obligations	$ 366,754	$ 76,851	$ 12,344	$ 243,880	$ 33,679

The Fund has significant contractual obligations in the form of operating and capital leases and new theatre capital commitments, as well as contingent obligations in the form of letters of credit and guarantees.

The Fund expects to fund lease commitments through cash flows from operations. New theatre capital commitments not funded through cash flows from operations will be funded through the Fund's committed revolving credit facility.

Management believes the Fund's cash flows from operations and revolving credit facility will be adequate to support all of its financial liabilities.

Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in the foreign exchange rate.

Substantially all of the Fund's revenues are in Canadian dollars, as are all but an insignificant portion of expenses, which are denominated in US dollars. Management considers currency risk to be low and does not hedge its foreign exchange risk. As variations in exchange rates are not expected to have a significant impact on the results of operations, a sensitivity analysis is not presented.

(expressed in thousands of Canadian dollars, except per unit amounts)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk on its cash and cash equivalents and long-term debt, which earn and bear interest at floating rates.

The Fund has entered into interest rate contracts to effectively fix the interest rate on $200,000 of the long-term debt, reducing the interest rate risk. The interest rate risks on cash and cash equivalents are not hedged. The effect of a 1% change in interest rates that management believes is reasonably possible on the unhedged debt would increase or decrease interest expense and net income by approximately $88 for the three months ended March 31, 2008. Based on outputs from a derivative valuation model used for the fair value of the Fund's interest rate swap agreements, which utilizes spot and forward interest rates and discounted cash flow analysis, a 1% increase in base interest rates would increase the interest rate swap valuation by $2,428 and increase other comprehensive income by $1,928 and net income for the three months ended March 31, 2008 by $500. A 1% decrease in base interest rates would have a similar, opposite effect on the swap valuation, net income and other comprehensive income.

5 Capital disclosures

The Fund's objectives when managing capital are to:

a) maintain financial flexibility to preserve its ability to meet financial obligations and growth objectives, including future investments;
b) deploy capital to provide an appropriate investment return to its unitholders; and
c) maintain a capital structure that allows multiple financing options to the Fund should a financing need arise.

The Fund defines its capital as follows:

a) unitholders' equity and non-controlling interests;
b) long-term debt and capital leases, including the current portion;
c) convertible debentures; and
d) cash and cash equivalents and short-term investments.

It is the Fund's policy to distribute annually to unitholders available cash from operations after cash required for maintenance capital expenditures, working capital and other reserves at the discretion of the Trustees.

(expressed in thousands of Canadian dollars, except per unit amounts)

The Fund is subject to certain covenants on the Partnership's credit facilities agreement, which defines certain non-GAAP terms and measures. The Partnership's total leverage ratio may not exceed 3.00 to 1 unless an acquisition is undertaken, in which case the ratio allowance increases to 3.50 to 1 for a 12-month period before reverting automatically to 3.00 to 1. The total leverage ratio is determined by dividing total debt at the period-end by the adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") (as defined in the credit agreement) for the past four quarters. The Partnership also must maintain a fixed charge coverage ratio of greater than 1.25 to 1. The fixed charge coverage ratio (as defined in the credit agreement) is computed by dividing the sum of adjusted EBITDA (as defined in the credit agreement) and rent expense for the past four quarters by fixed charges for the same period. Fixed charges include interest expense, scheduled debt repayments, maintenance capital expenditures, rent expense and income taxes paid in the period. Management reviews the Fund's covenants on a quarterly basis in conjunction with filing requirements under its credit agreement but also maintains a rolling projection to assess future growth capital commitments. The Fund has complied with all covenant requirements during the three months ended March 31, 2008 and 2007. Management also monitors the Partnership's annualized payout ratio, calculated as distributions declared divided by distributable cash. All of these ratios are managed with certain target ranges determined by management to allow for flexibility in considering growth opportunities.

The basis for the Fund's capital structure is dependent on the Fund's expected growth and changes in the business and regulatory environments. To maintain or adjust its capital structure, the Fund may purchase units for holding or cancellation, issue new units, raise debt or refinance existing debt with different characteristics.

While objectives and strategies are reviewed periodically, the Fund's capital and objectives in managing capital have remained substantially unchanged over the past two completed fiscal years. Management is currently reviewing the capital structure of the Fund in response to the Fund's income being subject to income taxes at the trust level effective January 1, 2011.

6 Distributions payable

The Fund has declared the following distributions during the three months ended March 31, 2008 and 2007:

	2008		2007	
Record date	**Amount**	**Amount per unit**	**Amount**	**Amount per unit**
January	$ 4,324	$ 0.1000	$ 3,268	$ 0.0958
February	4,324	0.1000	3,268	0.0958
March	4,341	0.1000	3,268	0.0958

The distributions are paid within 30 days following the end of each month. Distributions paid are at the discretion of the Board of Trustees of the Fund. In addition to the above, the Partnership has amounts payable as at March 31, 2008 to the non-controlling interests of $1,374.

(expressed in thousands of Canadian dollars, except per unit amounts)

7 Unitholders' capital

Unitholders' capital as at March 31 and transactions during the period are as follows:

	Three months ended March 31, 2008		Three months ended March 31, 2007	
	Number of units	**Amount**	**Number of units**	**Amount**
Opening balance - January 1				
Fund units	43,239,715	$ 562,960	34,116,698	$ 419,819
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	1,024	-	-
LTIP Fund units	(117,491)	(1,802)	-	-
	43,122,224	570,728	34,116,698	428,365
Transactions during the period				
Issuance of Fund units under the Exchange Agreement (note 2)	174,502	2,146	-	-
LTIP compensation obligation, net of vested Fund units	-	1,084	-	-
Purchase of LTIP Fund units	(410,949)	(6,887)	-	-
Settlement of LTIP obligation through transfer of Fund units to LTIP participants	196,014	3,196	-	-
	(40,433)	(461)	-	-
Closing balance - End of period				
Fund units	43,414,217	565,106	34,116,698	419,819
Convertible debentures - equity component	-	8,546	-	8,546
LTIP compensation obligation	-	2,108	-	-
LTIP Fund units	(332,426)	(5,493)	-	-
	43,081,791	$ 570,267	34,116,698	$ 428,365

(expressed in thousands of Canadian dollars, except per unit amounts)

Long-term incentive plan

Long-term incentive plan ("LTIP") costs are estimated at the grant date based on expected performance results, and recognized on a graded basis over the vesting period. The effects of changes in estimates of performance results are recognized in the period of change. Forfeitures are recognized as they occur as a reduction to compensation expense. For the three-month period ended March 31, 2008, the Fund recognized $1,844 (2007 - $nil) of compensation costs under the LTIP.

The LTIP compensation is recorded as an accrued liability until the corresponding LTIP pool of funds is utilized to acquire Fund units, at which point the liability is reclassified to unit capital, as the Fund is obligated to deliver a fixed number of Fund units, the value of which will vary with the market value of the Fund units. Subsequent changes in the fair value of the Fund units are not recognized. The Fund accounts for its investment in Fund units relating to the LTIP as treasury stock, reducing unitholders' capital.

Unit option plan

During the first quarter, the Fund established a unit option plan designed to compensate certain employees for service while encouraging Fund unit ownership by those individuals, ensuring their interests are aligned with those of the Fund, and providing compensation opportunities to attract, retain and motivate key employees. Subject to approval of the unit option plan by the Fund's unitholders at the annual general meeting on May 14, 2008, the Fund will grant options to acquire 1,250,000 Fund units at an exercise price of $17.03 per Fund unit. One third of the options vests on each anniversary of the grant date. The compensation cost associated with the options granted will be recognized over the vesting periods, if approved by the Fund's unitholders.

8 Diluted net loss per Fund unit

The weighted average number of units outstanding used in computing the diluted net loss per unit includes the dilutive effect of the full exercise of the non-controlling interest unitholders' right to exchange their Partnership units for Fund units. Convertible debentures in the amount of $104,995 were excluded from the computation of diluted net loss per unit, as their effect would have been antidilutive. The $104,995 convertible debentures can be converted into 5,599,734 Fund units at the option of the holders. If converted, the weighted average number of units outstanding used in computing diluted net loss per unit would be 5,599,734 units higher (2007 - 5,600,000). LTIP units held by the Fund decrease the weighted average number of units outstanding for both the basic and diluted net loss per Fund unit calculation.

(expressed in thousands of Canadian dollars, except per unit amounts)

The following Partnership units have not been exchanged for Fund units as at March 31:

	Number of units	
	2008	**2007**
Class B, Series 1	626,589	19,038,502
Class B, Series 2-C	-	2,086,957
Class B, Series 2-G	1,733,762	1,779,264
Class D	-	129,000
CELP 2007 LP Units	11,376,119	-
	13,736,470	23,033,723

9 Interim consolidated statements of cash flows

The following summarizes the changes in operating assets and liabilities:

	Three months ended March 31, 2008	Three months ended March 31, 2007
Accounts receivable	$ 15,532	$ -
Inventories	(65)	-
Prepaid expenses and other current assets	3,837	-
Income taxes receivable	-	-
Accounts payable and accrued expenses	(18,614)	-
Income taxes payable	(14)	-
Due to related parties	-	(6)
Deferred revenue	(13,205)	-
Accrued pension benefit liability	176	-
Other liabilities	(818)	-
	$ (13,171)	$ (6)
Non-cash investing activities		
Property, equipment and leasehold purchases financed through accrued liabilities	$ 3,402	$ -

(expressed in thousands of Canadian dollars, except per unit amounts)

10 Seasonal fluctuations

The Fund's revenues are primarily dependent on the timing of film releases by distributors. The most marketable films are usually released during the summer and year-end holiday seasons. Consequently, the results of operations and cash flows for interim periods are not necessarily indicative of the results to be expected for the full year. Although film studios and distributors have expanded the historical summer and year-end holiday release windows and increased the number of heavily marketed films released during traditionally lower-attendance periods, the Fund's results of operations may vary significantly from quarter to quarter.

11 Segment information

The Fund has determined that the theatre exhibition industry qualifies as a single business segment with all of its revenue and assets generated and held within Canada.

12 Subsequent event

Subsequent to the period-end, the Fund entered into three interest rate swap agreements. Under these interest rate swap agreements, the Fund will pay a fixed rate of 3.97% per annum, plus an applicable margin, and will receive a floating rate of interest equal to the three-month Canadian deposit offering rate set quarterly in advance, with gross settlements quarterly. The interest rate swap agreements have a term of three years commencing in July 2009 and maturing in July 2012, and an aggregate notional principal amount of $235,000. The purpose of the interest rate swap agreements is to act as a cash flow hedge of the floating interest rate payable under the Fund's term facility. The Fund considered its hedging relationships and determined that the interest rate swap agreements on its term facility qualify for hedge accounting in accordance with CICA Handbook Section 3865, *Hedges*.